

the discount on *' foreign ' * notes from four or five per to one per cent, for notes of Massachusetts banks and somewhat more for those of other States.

The Suffolk Bank was incorporated in Boston in 1818 and. the directors determined to give special attention to foreign exchanges. A committee appointed to consider the subject in 1819 reported that it was expedient "to receive at the Suffolk Bank the several kinds of foreign money which are now received at the New England Bank, and at the same rates." They recommended that if any bank should make-a permanent deposit of \$5000 with the Suffolk Bank, with such further sums as were necessary from time to time to redeem its bills taken by the Suffolk Bank, such bank should have the privilege of receiving its bills at the same discount at which they were purchased. They recommended that the banks of Providence and Newport and twenty-three others keeping an account with the Suffolk have the privilege of receiving such of their bills as were received by the Suffolk bank at the same discount as taken, without the permanent deposit of \$5000, provided these banks would make all their deposits at the Suffolk Bank and at all times, have money to redeem the bills taken.¹ The policy to be adopted towards banks refusing to make a deposit was to send their notes home for redemption. These recommendations were put in force and the lively competition of the Suffolk with the New England Bank soon forced exchange on Massachusetts notes to one-half of one per cent., or even less.

The notes of the Boston banks were still crowded out of circulation by the slight discount on the notes of the country banks and it was found in 1824 that the permanent circulation of the eleven city banks, with a capital of \$11,150,000, was not more than \$300,000, while the country banks, with a capital of less than \$9,000,000, had a circulation of \$7,500,000. An agreement was made between the Suffolk and six other Boston banks by which a fund of \$300,000 in their notes was furnished the Suffolk, to be paid out *in*.

¹ Wliitney, 7-8.